

TOOL | November 2019

# State-by-State Guide to Taxes on Retirees

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## MARYLAND

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### The Bottom Line

#### Not Tax Friendly



Maryland doesn't tax Social Security benefits. If you are 65 or older or totally disabled (or your spouse is totally disabled), you qualify for an exclusion of up to \$30,600 on distributions from 401(k), 403(b) and 457 plans, along with income from public and private pensions.

But here's the hitch: Any income outside those exclusions will be heavily taxed in the Free State. In addition to the state income tax (which has a top rate of 5.75%, **Maryland's 23 counties and Baltimore City may levy additional income taxes** ranging from 1.75% to 3.20% of taxable income.

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### State Sales Tax

6% state levy. No local taxes.

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### Income Tax Range

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**Low:** 2% (on less than \$1,000 of taxable income)

**High:** 5.75% (on more than \$250,000 of taxable income for single filers; more than \$300,000 for joint filers)

Maryland's 23 counties and Baltimore City may levy additional income taxes ranging from 1.75% to 3.20% of taxable income; per the Tax Foundation, the average levy is 2.9%.

**Effective tax rate:** 7.06% for single filers, 7.21% for joint filers.

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## Social Security

Benefits are not taxed.

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## Exemptions for Other Retirement Income

Taxpayers age 65 and older can exclude up to \$30,600 (2018 amount) of federally-taxed income from an employee retirement plan (e.g., a pension or 401(k) plan, but not an IRA). Retired correctional officers, police officers, firefighters, rescue workers, and emergency services personnel age 55 to 64 can exclude up to \$15,000 of federally-taxed income from an employee retirement plan.

Up to \$15,000 of income from a military retirement plan is exempt for taxpayers age 55 or older (\$5,000 for taxpayers under age 55).

Railroad Retirement benefits are fully exempt.

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## Property Taxes

In Maryland, residents pay an average of \$1,125 in taxes per \$100,000 of assessed home value.

**A property tax deferral program allows residents 65 or older to defer the increase in their tax bill for county taxes. The deferred taxes become a lien on the property and must be repaid when the property is transferred.**

**A Renters' Tax Credit program provides up to \$1,000 a year for those age 60 and older; income limits apply.**

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## Vehicle Taxes

**Sales tax is collected.**

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## Inheritance and Estate Taxes

**Maryland's estate tax exemption is \$5 million in 2019, plus any predeceased spouse's unused exclusion amount. The exemption amount is currently not scheduled to increase for 2020. Rates range from 0.8% to 16%.**

**While Maryland also has an inheritance tax (with a flat 10% rate), the list of heirs exempt from paying it includes the decedent's spouse, parents, grandparents, children, grandchildren, siblings, son-in-law, daughter-in-law and surviving spouse of a deceased child. In addition, property not exceeding \$1,000 passing to any one person is not subject to the tax.**

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Annual Income <sup>i</sup>

Current Savings <sup>i</sup>

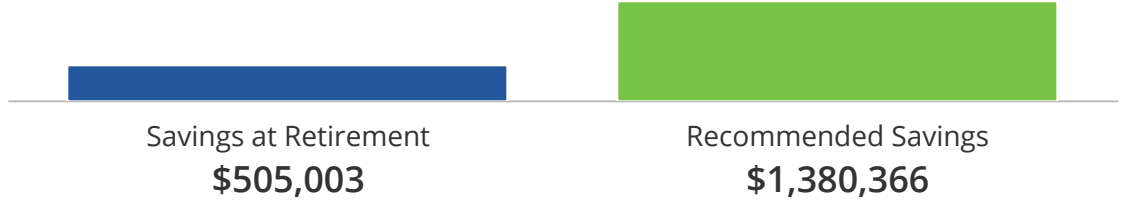
Monthly Savings <sup>i</sup>

6% of income

Birth Year

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Retirement Age <sup>i</sup>



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